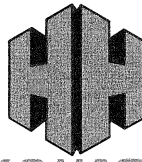


Management Letter

**THE CHARTER SCHOOL OF WILMINGTON, INC.**  
(A Component Unit of the State of Delaware)  
Wilmington, Delaware

Year Ended June 30, 2005



**HAGGERTY & HAGGERTY, P.A.**

**CERTIFIED PUBLIC ACCOUNTANTS  
& MANAGEMENT CONSULTANTS**

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### **Management Letter**

To the Members of the Board  
**The Charter School of Wilmington, Inc.**  
Wilmington, Delaware

In planning and performing our audit of the financial statements of The Charter School of Wilmington, Inc. (a component unit of the State of Delaware) for the year ended June 30, 2005, we considered the School's internal control in order to determine our auditing procedures for the purpose of expressing an opinion on the financial statements and not to provide assurance on internal control.

During the audit we became aware of matters that are opportunities for strengthening internal control and operating efficiency. The memorandum that accompanies this letter summarizes our findings and recommendations regarding those matters. This letter does not affect our report on the School's financial statements, dated August 29, 2005.

The matters noted are only those that came to our attention and, had our procedures for internal control related matters been more extensive, other matters might have been noted. Also, the functioning of the internal control was assessed at a point in time, and no assurances can be drawn that the internal control is functioning or will continue to function beyond the point in time at which it was assessed. No opinion is being expressed regarding the internal control taken as a whole.

We will review the status of these findings during our next audit engagement. We have discussed these matters with the School's personnel and we would be pleased to discuss them in further detail at your convenience, to perform any additional study of these matters, or to assist the School in implementing the recommendations.

This report is intended solely for the information and use of management, School Board, Department of Education, Office of the Governor, Office of Controller General, Office of Attorney General, Office of the Budget, Office of Auditor of Accounts, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties. However, under 29 Del. C., Section 10002(d), this report is a public record and its distribution is not limited.

Certified Public Accountants

August 29, 2005  
Wilmington, Delaware

To the Members of the Board  
**The Charter School of Wilmington, Inc.**  
Management Letter  
August 29, 2005  
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**LIST OF FINDINGS FOLLOWS:**

<u>Current Findings</u>	<u>Description</u>
1	Human Resource Function
2	Bank Reconciliations
3	Vendor Invoices

Status of Prior Years' Findings

**June 30, 2004:**

1	Interfund Transfers
2	Payment Vouchers and Cash Receipts

**June 30, 2000:**

3	Student Activity Account
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## **CURRENT FINDINGS**

### **Finding Number 1 - Human Resource Function**

Our review of the human resource function revealed that certain personnel files did not contain documentation of INS (Immigration and Naturalization Service) Form I-9, Employee Withholding Allowances Certificates, or background checks. Out of a random sample of 30 files, 11 files had incomplete or missing information, 6 of the files were reviewed in the prior year audit and were complete when reviewed in the prior year.

The Immigration Reform and Control Act of 1986 requires all employers to verify "employment eligibility" of any individual hired after November 6, 1986 by completing and retaining INS Form I-9.

Delaware Department of Education (DOE) requires that all final candidates for public school related employment are required to have a criminal background check (DOE Administrative Code Section 745).

The Internal Revenue Code requires the information on the Employee's Withholding Allowance Certificate under Sections 3402(f)(2)(A) and 6109 and their regulations.

Personnel information must be protected to insure the employees right to privacy.

#### Recommendation

We recommend that the School institute review procedures to ensure that all personnel files contain all the necessary documentation required for compliance with federal, state and local laws. We also recommend that all personnel information be maintained in a safe and secure environment.

#### Management Response and Correction Action

*"A document checklist will be prepared for each employee folder to ensure that all appropriate documentation has been received and filed. All employee information is now located in locked files."*

**CURRENT FINDINGS** (continued)

**Finding Number 2 - Bank Reconciliations**

Our review of the bank account reconciliations revealed that they are not properly performed. Errors could be identified more readily when reconciliations are properly performed.

Recommendation

We recommend that the Finance Secretary's job description be revised to include procedures necessary to assure that bank reconciliations are properly performed.

Management Response and Correction Action

*"Appropriate changes to the Finance Secretary's job description will be made to assure that bank reconciliations are properly performed and the Administrative Assistant will review the reconciliations monthly."*

**Finding Number 3 - Vendor Invoices**

Our review of vendor payments revealed that all invoices are not reviewed for accuracy. One invoice cost the school \$232 because the invoice was not added correctly by the vendor.

Recommendation

We recommend that the Finance Secretary review all vendor invoices prior to payment.

Management Response and Correction Action

*"The Finance Secretary has been instructed to review all invoices and the \$232 has been recovered from the vendor."*

## **STATUS OF PRIOR YEARS' FINDINGS**

**June 30, 2004:**

### **Finding Number 1 - Interfund Transfers**

Our review of the activity fund transactions revealed that interfund transfers are made without proper supporting documentation.

#### Recommendation

We recommended that interfund transfers include appropriate supporting documentation.

#### Management Response and Correction Action

*"The staff will be instructed to include all appropriate documentation before interfund transfers are approved."*

#### Status of Finding

The finding is resolved.

### **Finding Number 2 - Payment Vouchers and Cash Receipts**

Our review of payment vouchers and cash receipts for the State of Delaware revealed that expenditures are miscoded and documentation is either missing or inconsistent with source documentation.

#### Recommendation

We recommended that prior to processing any documents with the State a thorough review be performed.

#### Management Response and Correction Action

*"The finance personnel will conduct such reviews prior to processing."*

#### Status of Finding

The finding remains unresolved.

#### Management Response and Correction Action

*"The Finance Secretary is attending State sponsored workshops to upgrade her skills to avoid the errors that have been called to her attention."*

**STATUS OF PRIOR YEARS' FINDINGS** (continued)

**June 30, 2000:**

**Finding Number 3 - Student Activity Account**

Our review of the Student Activity cash account indicated that the reconciliation is not reviewed by the Business Manager.

Recommendation

We recommended that once the reconciliation is performed by the Financial Secretary, the Business Manager review it.

Management Response and Correction Action

*"The President's administrative assistant will have the responsibility of reviewing the monthly reconciliations."*

Status of Finding

The finding remains unresolved.

Management Response and Correction Action

*"Arrangements have been made with the administrative assistant to perform the review of the monthly reconciliations."*